

Budget & Assessments Plan

A. Plan Overview

Background

This portion of the Rio Salado Management Plan deals with the financial management of the Rio Salado Project. The basis for the Tempe City Council first approved the plan in March of 1995 with a document titled Rio Salado Finance Plan. The purpose of the Finance Plan was to develop an approach to financing the Rio Salado Project that is sound and in the best interest of the community and its taxpayers. The initial plan included a method of paying the expenses of debt service on the Capital cost of the Town Lake, operation, and ongoing maintenance, including any required capital replacement.

In order to move the project forward, the City Council agreed to proceed to the lake construction phase by “advancing” the necessary funds. These funds come from a combination of Rio Salado Fund Balance and a variable rate, excise tax bond issue with a 25 year maturity schedule. Sufficient funds have been made available to cover the required debt service payments for the initial years following construction as well as a portion of the project operations and maintenance expenses. Park improvements are addressed through the annual Capital Improvement Budget.

A. Purpose and Objectives

The purpose of this plan is to:

- Define the public versus private sector financial responsibilities within the project.
- Identify all applicable revenue sources and create a method of financial accountability.
- Describe the budget development and approval process.
- Provide an understanding of the Community Facilities District Assessment methodology.

C. Organization of This Document

This document is organized into three sections. The first describes the relationship between the public and private sectors within the project area. The second section describes the budget process for both the City and the Community Facilities District. The final section describes the procedures by which the Community Facilities District collects revenue and reimburses the City.

B. Rio Salado Financial Management Structure

The Rio Salado Project can be divided up into two basic management areas. The first area is the **Rio Salado Basic Services Area**, which is constructed, maintained and managed by the City as a public park. The second area referred to as the “**Enhanced Services Area**” is more complex and represents public space constructed by the City, however the lake and operations and maintenance expenses are funded through the Rio Salado Community Facilities District. An agreement between the City and the Rio Salado Community Facilities District transfers operations and maintenance responsibilities to the City and the City in turn collects revenue from the district to offset expenses.

A. Rio Salado Basic Services

Rio Salado Basic Services funding is derived from the collection of sales, property taxes and a portion of the “bed taxes” within a designated area. The city has identified the tax capture area as the “**Rio Salado Enterprise Fund Area**” and will designate this revenue for use outside of the Tempe General Fund. As illustrated in **Exhibit A**, the Rio Salado Enterprise Fund Area will provide the opportunity of tracking Rio Salado expenses along with the revenue generated within the project area.

The **Rio Salado Basic Services Area (Exhibit B)** is defined on the North Bank as the publicly-owned property from the top of the Flood Control Levee to the to the south side of the Red Mountain Freeway, from Rural Road to Priest Drive; the land from College Avenue to Mill Avenue between the north side of the Red Mountain Freeway, and the south side of the Indian Bend Pump Ditch; the publicly-owned land between the North Bank Loop Road and Mill Avenue south of Curry Road; and the Indian Bend Wash from the Salt River to McKellips Road.

On the south Bank from the Tempe Beach Park cobblestone wall to the Rio Salado Parkway; from the top of the levee to the Rio Salado Parkway between the Union Pacific Railroad Bridge and Priest Drive; and the top of the levee between Priest Drive and the Hohokam Expressway.

The Rio Salado Basic Services Area funding will be administered and managed by the Rio Salado Project Manager and staff with the assistance of the Rio Salado Operations Team representing the various City Departments. Services provided by the departments within the Rio Salado Basic Services Area (**Exhibit B**) require prior approval by the Rio Salado Project Manager and will be billed to the Rio Salado Enterprise Fund.

B. Enhanced Services Area

In 1997, the Community Facilities District was formed to provide a vehicle by which the private sector could participate in the costs of Rio Salado. The Community Facilities District boundaries, illustrated on **Exhibit C**, includes the property between the Rio Salado Parkway on the South, the Red Mountain Freeway on the North, the downstream dam on the West and the Upstream dam on the East. Exceptions to this

area include mini-storage, Arizona Department of Transportation Land, and a portion of Papago Stables.

The area around and including the Town Lake, as illustrated in **Exhibit D**, is the Enhanced Services Area in which all expenses relating to the Capital Cost of the Lake and the Annual Operations and Maintenance Expenses are charged to the Rio Salado Community Facilities District. The Enhanced Services area is further described as the first 15 feet on top of the 100 year Flood Control Levee down to the lake and then up to the first 15 feet on top of the Flood Control Levee on the opposite bank in the area between Priest Drive and McClintock Drive. Enhanced Services Area funding is derived from the collection of assessments on property within the Community Facilities District based on the linear lake frontage and then spread across the entire Community Facilities District Area. Upon project build-out, the funding allocation within the Enhanced Services Area will be approximately 60% private sector and 40% public, based on a per linear foot frontage calculation.

The City of Tempe has entered into an Intergovernmental Agreement (**Exhibit E**) with the Rio Salado Community Facilities District designating the City as responsible for the construction and operation of the Enhanced Services Area. The Intergovernmental Agreement requires the formation of an Enhanced Services Commission (**Exhibit F**), to make recommendations to the City Council/Community Facilities District Board of Directors on all issues effecting the budget.

The Enhanced Services Commission is initially comprised of eight (8) members including Arizona State University, Hayden Ferry Development, Ciudad del Lago, the Downtown Tempe Community, the general public, the Deputy City Manager, Public Works Director and Community Services Director. In the future, as development occurs, additional members may be added to represent interests in the Boardwalk East and West and the Rio Beach Development Areas. The Commission is limited to eleven (11) total members. Since the City Council acts as the Rio Salado Community Facilities District Board of Directors, the Enhanced Services Commission allows the stakeholders an opportunity to monitor and recommend to the City Council/Board of Directors policy issues that could effect the annual budget. This area will be administered and managed by the Rio Salado Project Manager and staff with the assistance of the Rio Salado Operations Team representing the various City Departments.

After the first two years of lake operations and maintenance, a “competitiveness model” will be incorporated to insure that the costs of operations and maintenance are reasonably priced. In the event that the private sector is contracted with, by the Rio Salado Administration, to operate and/or maintain portions of the project, the comparable city department will be responsible for contract management.

C. Rio Salado Budget Process

The Rio Salado Budget will require coordination between the normal City of Tempe Budget Process and that of the Community Facilities District. The Rio Salado Administration with support from the Rio Salado Operations Team will prepare both the City and District Budgets. It is the intent of this plan to insure that coordination occurs between the two and that final budget approval by the City Council/Board of Directors occurs simultaneously.

The Finance Plan was developed with the understanding that initial revenue would lag behind expenditures. As such, a Rio Salado Fund was developed within the City to cover shortfalls in both the Enterprise Fund Area and the Community Facilities District Budgets.

A. Rio Salado Basic Services Budget

All revenue collected within the Rio Salado Enterprise Fund Area will be used to fund operating and debt service costs of the Project. The development of the Rio Salado Basic Services Budget will be a team effort. The Rio Salado Operations Team, consisting of members from all facets of the City will work with the Rio Salado Project Manager and staff to develop the budget. Base levels for service and staffing have been established and will be the basis for future budget requests. Any request for additional staff or services to be funded within the Rio Salado Budget above the base levels will be reviewed and considered by the Rio Salado Division, prior to the City Manager's recommendation to the City Council. Capital Improvement Program requests within the Rio Salado area will be handled in the same manner. Upon completion of the Rio Salado Basic Services Budget, the review process will include Management Services Department, City Manager and then recommendation to the City Council. Specific details of the budget process are contained in the annual Capital Improvement Budget Manual and the annual Operating Budget Manual prepared by the Tempe Management Services Department.

B. Community Facilities District Budget

Similar to the City Budget, the Community Facilities District Budget will also contain Capital Improvement and Operating components. Assessments and other fees collected on behalf of the Community Facilities District will be used for District-related expenses. A percentage of all fees collected from concessions, recreation programs and events within the Enhanced Services Area will be transferred to the Rio Salado Community Facilities District Fund to help offset lake operation and maintenance expenses.

In July of 1997, the Community Facilities District (CFD) approved and authorized the construction of the Town Lake. As illustrated in **Exhibit G**, the budget for the Lake was set at \$44,849,700.12. At the same time, a Five-year estimated Operations and Maintenance schedule was approved, as illustrated in **Exhibit H**.

1. Capital Improvement Budget

The CFD Capital Improvement Budget will be an annual update of the fixed cost of the Town Lake until such time as the District approves, if any, additional projects.

Any additional projects submitted for funding in the Capital Improvement Budget must be specifically authorized projects under procedures established by Arizona Revised Statute 48-715. The steps necessary to meet the legal requirements are as follows:

- A project feasibility and benefits study to include:
 - description of public infrastructure information useful to
 - understanding project
 - map showing location
 - estimated costs to construct, acquire, operation and maintain
 - schedule for completion
 - map or area benefited
 - plan of finance
- Publish notice of hearing at least 10 days prior to hearing
- Mail notice of hearing to city at least 10 days prior to hearing
- District Board to Conduct Hearing
- District Board to adopt resolution of intention which identifies:
 - the public infrastructure
 - areas benefited
 - expected methods of finance
 - system of revenue for operation and maintenance expenses

2. Operating Budget

The CFD Operating Budget will be initially based on ten line items as identified in the five year estimated operating budget and adjusted as operating experience is obtained. Administrative costs will be limited to 15% of the Annual CFD Operating Budget. An Infrastructure Replacement Fund will be included in the CFD Operating Budget to repair and replace major components such as the dams, pumps and blowers. The 1998-99 CFD Operating Budget is attached as **Exhibit I** as a guide to the specific categories.

3. Budget Approval Process

The Community Facilities District Budget, while following the same processing schedule as the City Budget, will require additional processing to comply with the requirements of the District/City Intergovernmental Agreement and Arizona Revised Statute 48-716. Upon development of the budget by the City, the following additional steps will be required:

- Review and recommendation of budget by the Enhanced Services Commission.
- District Treasurer to submit budget to District Board
- District Board approves and sets hearing
- Publish notice of hearing at least 10 days before hearing
- District Board to conduct hearing on budget
- Board adopts budget in late June to coincide with City budget approval

4. Community Facilities District Assessments

In April of 1997, the City Council modified the original Finance Plan to insure that vacant property was developed in a timely manner. After careful consideration of the impact on property developed in line with market feasibility, an assessment formula was developed.

A. Assessment Methodology

Assessments for both Capital and Operating Budgets are based on a per linear foot basis of lake frontage and then spread over the adjacent parcels based on benefits derived. In general, the benefits derived methodology, is based on a 50% value placed on parcels immediately adjacent to the Town Lake. The remaining 50% of value is spread over the combination of front and back parcels. **Exhibit J** illustrates the amount of Linear lake frontage for each parcel within the District, along with the amount of net acres, developable acres, enhanced services acres and lake acres, where applicable.

The Assessment Concept has been modified from the 1995 Finance Plan by the City Council in June of 1997. The original plan envisioned that property within the District would pay 100% of the annual operations and maintenance expenses and 25% of the annual capital lake cost beginning upon completion of the Lake. This premise was based on the primary objectives of guarding against land speculation (no development) and to insure that early development was obtainable. However, as plans began to emerge for the first phases of development it became obvious that market influences and actual absorption rates would play a factor in the pace of development. As such, the Finance Plan was amended to alleviate the potential of overburdening later phases of development through cumulative assessments.

In order to alleviate the inequity in property assessments throughout the phases of development and continue to meet the finance plan objectives, it was determined that Capital Improvement Costs would be deferred until the time of development, yet

indexed at the City's cost of funds to insure that the City is re-paid for Lake costs plus interest. Operations and Maintenance Assessments were adjusted to reflect developed versus vacant land. Vacant land would be required to pay a portion of the annual Operations and Maintenance Assessment, to offset any potential for land speculation. The following is a summary of the variable rate assessment policy:

B. Capital Improvement Assessments
Capital Improvement (Lake) Assessments

Capital assessments will not begin until the issuance of a Certificate of Occupancy is granted by the City and then only on that portion of the property developed. The remaining undeveloped land will not be assessed until developed. Assessments will be based on the capital cost of the lake, to be adjusted at the time of completion of the Lake to actual costs, and adjusted at a rate of 5% increase per year. Property owners will have the option of paying the assessment off either in a lump sum or over a 25-year period at a 5% interest rate.

C. Operations and Maintenance Assessments
Interim Operations and Maintenance Assessment (IOMA)

Following Lake completion, all parcels within the District with undeveloped land at the time of formation of the District, will be assessed an Annual IOMA. The assessment will be based on 20% of the Rio Salado Community Facilities District Annual Operations and Maintenance Budget. The IOMA will remain in effect until such time as the property is developed and a Certificate of Occupancy issued.

Operations and Maintenance Assessment

Following issuance of a Certificate of Occupancy, that portion of the property developed will begin to pay 100% of the Annual Operations and Maintenance Assessment based on the annual budget. Any remaining undeveloped property would continue to pay the Interim Operations and Maintenance Assessment.

C. Developed Property Contingent Assessments

At the time of formation of the District, several properties had been previously developed or otherwise deemed to be undevelopable (government owned). It is the opinion of the District Board of Directors that those properties developed or undevelopable at the time of formation are exempt from both Capital Improvement Assessment and Operations and Maintenance Assessments until one of the following occurs:

- Building Size is increased by more than 1,000 square feet cumulatively
- Any change in land use or zoning

- Any intensification of use requiring additional parking beyond that of the 1,000 square foot building expansion

D. Arizona State University Property

As a separate entity of the State, the Community Facilities District cannot assess Arizona State University property. An Intergovernmental Agreement (**Exhibit K**) has been developed between the University, City and District that creates an “Equivalent Amount” payment equal to the assessment. The Equivalent Amount payment will be included in all University Development and Disposition Agreements and University Land Leases unless the land is utilized for educational purposes. University land used for educational purposes shall be exempt from Equivalent Amount Payments.

E. Assessment Table

The following table indicates the assessment rate and ratio per parcel throughout the District. Please note that the Operations and Maintenance assessment is calculated on a percentage basis to reflect the changing nature of the assessment. The Capital Lake Assessment currently identifies assessments based on the lake budget of \$44,849,700.12 and will be adjusted to reflect actual lake cost at the time of completion.

Rio Salado Community Facilities District Assessment Table			
CFD Parcel Number	Total Capital Assessment	Developed Property Contingent Capital Assessments**	% O & M Assessment
1	\$2,857,568.95	\$0.00	6.37143379410%
2	\$3,345,283.80	\$0.00	7.45887662805%
3*	\$0.00	\$0.00	0.00000000000%
4	\$628,640.11	\$0.00	1.40165956142%
5	\$13,061.59	\$0.00	0.02912302639%
6	\$1,406,159.58	\$0.00	3.13527086299%
7**	\$0.00	\$95,839.89	0.21369126158%
8**	\$0.00	\$30,789.10	0.06864951141%
9*	\$0.00	\$0.00	0.00000000000%
10*	\$0.00	\$0.00	0.00000000000%
11*	\$0.00	\$0.00	0.00000000000%
12	\$168,313.79	\$0.00	0.37528409231%
13	\$166,699.37	\$0.00	0.37168446958%
14	\$1,242,084.61	\$0.00	2.76943793755%
15	\$60,551.78	\$0.00	0.13501044564%
16*	\$0.00	\$0.00	0.00000000000%
17	\$2,368,441.89	\$0.00	5.28084219886%
18	\$58,424.65	\$0.00	0.13026764916%

19	\$162,740.33	\$0.00	0.36285711959%
20	\$1,660,308.23	\$0.00	3.70193830852%
21	\$1,032,169.22	\$0.00	2.30139603440%
22	\$4,518,913.96	\$0.00	10.07568377918%
23*	\$0.00	\$0.00	0.00000000000%
24	\$1,561,771.73	\$0.00	3.48223449838%
25	\$155,484.78	\$0.00	0.34667964241%
26	\$231,701.15	\$0.00	0.51661694366%
27	\$1,186,145.09	\$0.00	2.64471130649%
28*	\$0.00	\$0.00	0.00000000000%
29**	\$0.00	\$709,753.95	1.58251660123%
30**	\$0.00	\$51,638.63	0.11513706861%
31**	\$0.00	\$69,535.72	0.15504166096%
32**	\$0.00	\$12,208.15	0.02722013741%
33**	\$0.00	\$46,603.15	0.10390961339%
34**	\$0.00	\$186,420.30	0.41565562200%
35**	\$0.00	\$91,361.24	0.20370535311%
36**	\$0.00	\$115,800.60	0.25819704411%
37**	\$0.00	\$65,668.78	0.14641966351%
38**	\$0.00	\$51,830.82	0.11556558876%
39**	\$0.00	\$263,766.76	0.58811265024%
40**	\$0.00	\$178,009.89	0.39690318893%
41**	\$0.00	\$1,065,799.63	2.37638072752%
42	\$583,937.75	\$0.00	1.30198808116%
43	\$572,585.03	\$0.00	1.27667526977%
44	\$2,235,465.33	\$0.00	4.98434844384%
45*	\$0.00	\$0.00	0.00000000000%
46**	\$0.00	\$2,824,703.45	6.29815459734%
47	\$459,233.79	\$0.00	1.02393948849%
48	\$455,813.89	\$0.00	1.01631424242%
49	\$330,244.98	\$0.00	0.73633709727%
50**	\$0.00	\$7,719.20	0.01721126335%
51**	\$0.00	\$43,950.59	0.09799528176%
52*	\$0.00	\$0.00	0.00000000000%
53	\$2,624,736.00	\$0.00	5.85229331072%
54	\$1,954,321.50	\$0.00	4.35749067390%
55	\$1,456,697.24	\$0.00	3.24795313258%
56*	\$0.00	\$0.00	0.00000000000%
57	\$0.00	\$0.00	0.00000000000%
58*	\$0.00	\$0.00	0.00000000000%

Sub-Total	\$33,497,500.12	\$5,911,399.85	87.86881487403%
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Miscellaneous Right of Way (Tempe)			
	\$5,440,800.15	\$0.00	12.13118512597%

TOTAL CAPITAL ASSESSMENTS			
	\$44,849,700.12	\$0.00	100.00000000000%

* These properties are undevelopable and are assessed \$0 and 0%.

** These properties are currently assessed \$0 and 0%. The contingent assessments will become actual assessments against the property at such time as the uses of the property or facilities on the property are expanded or the land use is changed.

F. Assessment Payment Schedule

The District has determined that it will initially take responsibility for assessments in lieu of Maricopa County due to potential confusion over the variable rate assessments on vacant property and split ratio assessments on partially developed property. Assessments will be levied based on the following schedule:

Assessment Payment Schedule

Payment	Date Due	Date Delinquent
1	October 1 st of Current Year	November 1 st of Current Year
2	March 1 st of Subsequent Year	May 1 st of Subsequent Year